

SOCIAL RESPONSIBILITY OF FDI ENTERPRISES IN NGHE AN, VIET NAM

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Abstract: Implementing corporate social responsibility (CSR) among foreign direct investment (FDI) enterprises in Vietnam and in Nghe An province in particular is imperative in the current context of economic integration and competition. Beyond the profit motive, FDI enterprises are expected to contribute to the sustainable development of host economies by fulfilling tax obligations, protecting the environment, respecting labor rights, safeguarding consumers, and engaging with local communities. Nghe An has attracted substantial FDI inflows in recent years; the FDI sector has contributed to economic restructuring, growth, job creation, and improved living standards. However, the rapid increase in the number of FDI enterprises raises the need for systematic assessments of business performance, compliance with legal regulations, and the quality of working environments. This article reviews the current status of CSR implementation among selected FDI enterprises in Nghe An and proposes actionable solutions to enhance CSR performance in the near term.

Keywords: Corporate social responsibility; foreign direct investment; enterprise; Nghe An

1. Introduction

Nghe An has ranked among the top ten provinces in Vietnam in FDI attraction for three consecutive years. FDI inflows have promoted socio-economic development, accelerated industrial restructuring, facilitated technology transfer, and created employment opportunities within the province and neighboring areas.

Nghe An is one of the few provinces in Vietnam that has successfully attracted six of the world's leading technology corporations in the production of electronic components and equipment—Foxconn, Luxshare, Goertek, Everwin, Juteng, and Sunny. These multinational firms are recognized for their strong brands, reputable operations, and environmentally friendly practices, while strictly complying with both international regulations and the laws of the host country.

Statistics indicate that the FDI sector currently contributes about 45% of the province's export turnover, thereby driving economic restructuring through greater investment in industry and services. Approximately 68% of total FDI capital is concentrated in the electronics and green energy sectors. The FDI sector has played a critical role in fostering economic growth and restructuring, shaping key industries such as electronics technology, energy, steel, and automobile components. Beyond this, it has significantly contributed to industrialization and modernization by generating large volumes of products and services, creating employment opportunities, and upgrading the quality of local human resources.

The number and quality of FDI enterprises in Nghe An are steadily increasing. However, while these enterprises commit capital to long-term investment and make pledges to protect the environment, support local communities, and safeguard workers' rights, their social responsibility performance has not been thoroughly and systematically assessed. This situation requires coordinated action from both regulatory agencies and enterprises to strengthen CSR implementation in the province.

Recent practical research reveals persistent limitations in the awareness and implementation of corporate social responsibility (CSR) among FDI enterprises in Nghe An, particularly in understanding its role, significance, and relationship with sustainable development. Owing to limited awareness and the pursuit of short-term interests, CSR implementation remains inadequate. This has led to a growing number of cases of non-compliance in commercial activities, with violations increasing in scale, frequency, and severity. Currently, serious CSR violations have been observed in activities such as product sales, advertising, marketing, labeling, supply chains, promotions, bidding, and maintenance, as well as in failing to meet export standards required by partners. These practices have negatively impacted public health, contributed to water and air pollution, and eroded societal trust.

If FDI enterprises demonstrate a high level of social responsibility, stakeholders will remain loyal and committed to them, thereby enabling sustainable business development. Consequently, providing recommendations, establishing processes, and identifying effective solutions to strengthen CSR in commercial activities has become an urgent and essential requirement for both individual enterprises and Nghe An province as a whole.

2. Social responsibility of FDI enterprises and Stakeholders

The concept of Corporate Social Responsibility (CSR) was first introduced in H.R. Bowen's 1953 book *Social Responsibilities of the Businessman*, which emphasized that business managers should avoid harming the rights and interests of others and, where necessary, engage in charitable activities to offset the negative impacts of business operations. Since then, CSR has sparked an ongoing debate between two schools of corporate governance: the shareholder-representative model and the multi-stakeholder model. At a broader level, this debate reflects a clash between liberal capitalism (conservative, right-leaning) and social capitalism (democratic, left-leaning). The core issues in this debate center on: (i) the nature of modern business and (ii) the tripartite relationship among business, society, and the state.

According to World Bank experts, Corporate Social Responsibility (CSR) is defined as *“the commitment of businesses to contribute to sustainable economic development by complying with standards on environmental protection, gender equality, occupational safety, labor rights, fair wages, employee training and development, and community engagement, in ways that generate benefits for both enterprises and society at large.”*

Corporate Social Responsibility (CSR) has been discussed and examined since the early 20th century, with scholars adopting diverse approaches. Milton Friedman (1970) argued that CSR is primarily the responsibility of the state; therefore, business owners should only engage in CSR activities at their discretion. He maintained that investing in CSR imposes additional costs that reduce corporate profits. Accordingly, the sole responsibility of a business is to maximize profits and enhance its value within a fair and competitive market.

The corporate social responsibility (CSR) of FDI enterprises encompasses their obligations and commitments to society and the environment, extending beyond the legal framework and oriented toward sustainable development. This responsibility is not confined to legal compliance but also involves voluntary initiatives that contribute to economic growth, social welfare, and environmental protection.

In practice, enterprises operate under considerable pressure from diverse stakeholders, including shareholders, customers, employees, and government authorities. For each stakeholder group, firms must fulfill different types of responsibilities—economic, legal, ethical, and philanthropic. Consequently, CSR implementation needs to evolve, reflecting the prioritization of stakeholder demands in terms of order, importance, and urgency.

Government

The government is a key stakeholder for FDI enterprises, as it establishes laws and enforces regulations that firms must observe (Revell & Blackburn, 2005). Simpson et al. (2004) argued that enterprises are not required to satisfy the government but merely to comply with legal provisions. However, this perspective is outdated, as it reduces CSR to passive compliance and reactive measures. In the contemporary context of intense competition, CSR has evolved into a strategic tool that allows businesses to enhance their reputation, differentiate themselves, and strengthen their competitive position. Accordingly, strict compliance with legal regulations should not be viewed as a passive obligation but as a proactive strategy to build sustainable relationships with government authorities, thereby facilitating smoother business operations in the host country.

Employees

Employees represent a critical stakeholder group for FDI enterprises, as they are directly engaged in the core activities of the firm. If their basic needs are not met, or if they are absent from the workforce, the quality of operations and the long-term sustainability of the enterprise will inevitably be compromised. Therefore, employees must be regarded as a central stakeholder in CSR implementation (Longo et al., 2005; Jenkins, 2004b). CSR toward employees can be expressed in various ways, including ensuring a safe and healthy working environment (Longo et al., 2005), promoting morale and motivation (Castka et al., 2003), supporting professional development (Besser & Miller, 2001; Enderle, 2004), providing comprehensive social insurance (Longo et al., 2005), and investing in training programs (Toyne, 2003; Jenkins, 2004b). These practices not only improve employee well-being but also enhance productivity and organizational sustainability.

Customers

No enterprise can survive without customers, who are essential stakeholders directly determining business profitability. Consequently, implementing CSR toward customers is fundamental for ensuring long-term sustainability. As Fitchett (2005) observed, customers increasingly expect businesses to uphold ethical responsibilities—a view also supported by Castka et al. (2003), Simpson et al. (2004), and Long et al. (2005). Within CSR strategies, customer-related responsibilities commonly include maintaining high product quality (Long et al., 2005), ensuring product safety (Enderle, 2004), providing accurate product information (Long et al., 2005), and delivering effective customer care (Spence, 1999). Collectively, these practices enhance consumer trust and contribute to the sustainable growth of enterprises.

Community

Since its early conceptualization, CSR has been closely associated with community expectations. Brown and King (1982) emphasized that community pressure can exert a stronger influence on businesses than legal requirements. Similarly, Besser (1999) argued that community contributions enhance business success. Today, many FDI enterprises engage in community support primarily through charitable donations. However, some scholars highlight that many businesses lack meaningful relationships with the local communities in which they operate. Jenkins (2004a), for instance, noted that firms often avoid close engagement with local communities to limit external influence on decision-making. Despite these divergent perspectives, the community remains a critical stakeholder in CSR implementation, given the significant pressure it places on business activities in the current context. According to Carroll's CSR model (1991), economic CSR is expressed through maximizing profits, business efficiency, and sustainable growth of the enterprise. Economic responsibility is the top priority and is the basic foundation for implementing other aspects of responsibility.

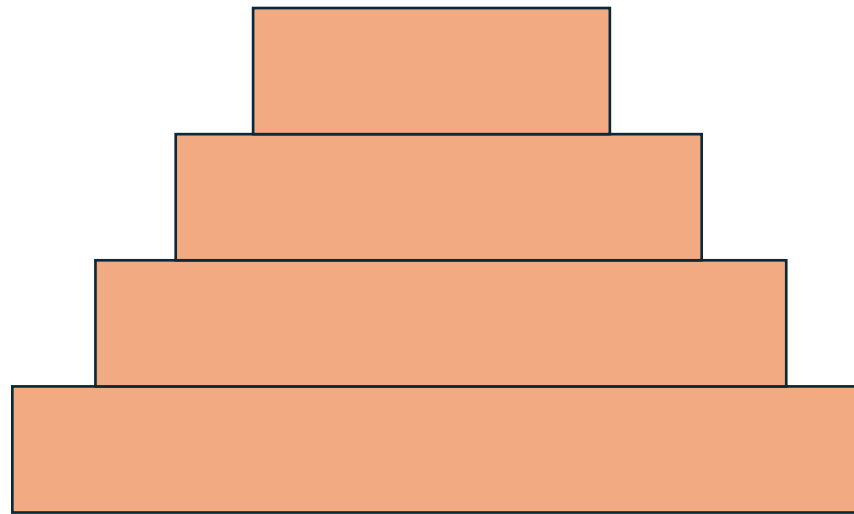


Figure 2.1: The Corporate Social Responsibility Pyramid
Source: Carroll (1991)

To evaluate the current status of CSR implementation among FDI enterprises in Nghe An, this study applies Carroll's four-dimensional CSR pyramid model, one of the most widely used frameworks in CSR research. The model comprises: (i) the economic dimension, reflected in business efficiency; (ii) the legal dimension, expressed through compliance with state obligations and regulatory frameworks; (iii) the ethical dimension, demonstrated by fulfilling responsibilities toward employees and consumers, fostering a fair working environment, and protecting the environment; and (iv) the philanthropic dimension, represented by social and community-oriented activities. In this paper, particular emphasis is placed on analyzing and assessing the first three dimensions of the CSR pyramid.

3. FDI attraction situation in Nghe An

Once considered a "lowland" in attracting foreign direct investment (FDI), Nghe An province has recently emerged as a prominent destination, consistently ranking among the top ten provinces nationwide. By the end of 2024, the province had licensed 151 FDI projects with a total registered capital of USD 5.871 billion, placing it 22nd out of 63 provinces and cities in terms of total investment capital. In the first two months of 2025 alone, Nghe An approved one new project with registered capital of USD 1.5 million and adjusted two existing projects with an additional USD 8 million, bringing the total newly registered and adjusted capital to USD 9.5 million.

Unit: billion USD

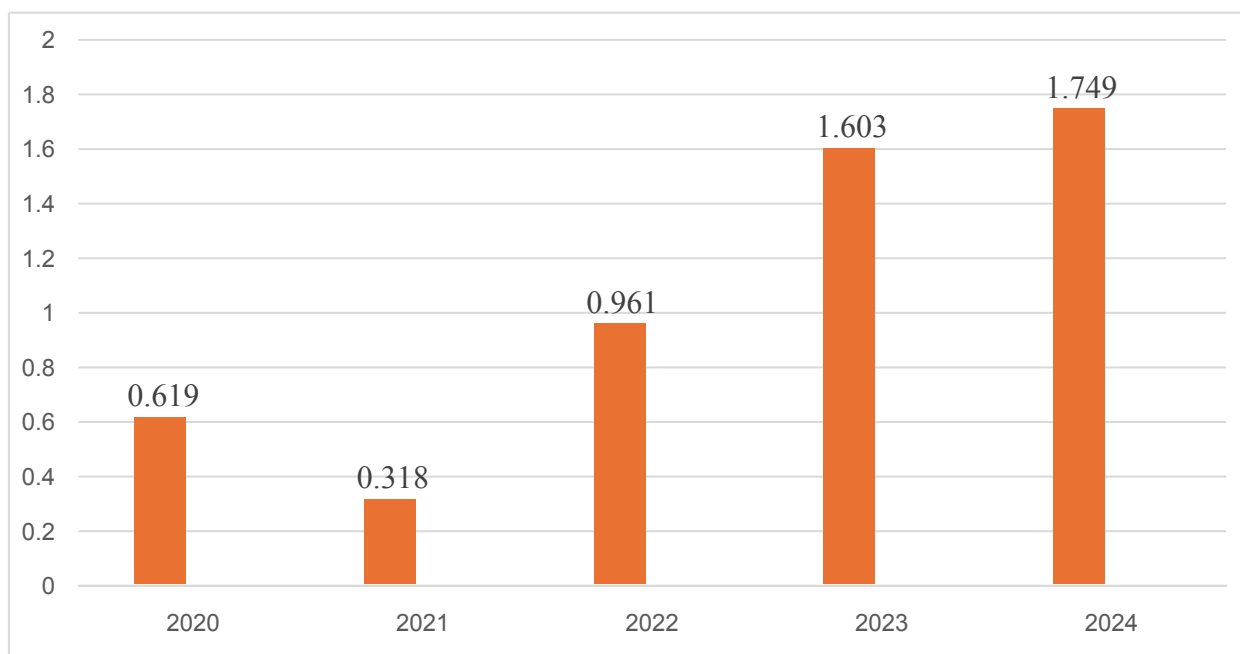


Figure 3.1. FDI attraction results of Nghe An province from 2020 to 2024

Source: Southeast Economic Management Board (2024)

Nghe An has attracted numerous large-scale projects in the electricity and electronics sectors, integrated into the global supply chains of major corporations such as Luxshare ICT Group, Shandong, Radiant, Everwin, Foxconn, Sunny, Goertek, Tan Viet, Juteng, and Runergy. To date, FDI projects in the province originate from 14 countries and territories.

Among them, investors from China, South Korea, Hong Kong (China), Thailand, Taiwan (China), Japan, Singapore, India, Australia, and the United States account for the largest number of projects. In terms of capital, Hong Kong (China), China, Singapore, Taiwan (China), Thailand, and South Korea represent the leading sources of investment. By the end of 2024, the province had issued investment certificates for 24 projects with capital exceeding USD 50 million, of which seven were already operational. Projections for 2025 indicate the addition of eight new projects.

Table 3.1. Investment capital classified by capital source implemented in the area at comparable prices

Unit: Bill.Dongs

	2019	2020	2021	2022	2023
State Sector Capital	10.214	11.718	9.772	9.915	10.152
Non-State Sector Capital	34.816	34.817	35.515	40.247	41.696
Foreign Investment Sector Capital	2.084	2.616	2.639	3.216	4.573
Total	47.114	49.151	47.926	53.378	56.421

Source: Nghe An Statistical Yearbook (2023)

Attracting FDI is a crucial measure for mobilizing foreign capital to foster economic growth. In recent years, FDI inflows have made notable contributions to the overall output of Nghe An province. Although the proportion remains relatively modest, these inflows have played an important role in stimulating economic growth and restructuring the province's industrial composition.

4. Evaluation of the implementation of FDI corporate social responsibility in Nghe An

4.1. Economic aspects - demonstrating business efficiency

From 2019 to 2023, Nghe An province experienced steady growth in its gross regional product (GRDP), in which the foreign direct investment (FDI) sector played an increasingly important role, contributing substantially to the province’s overall economic performance.

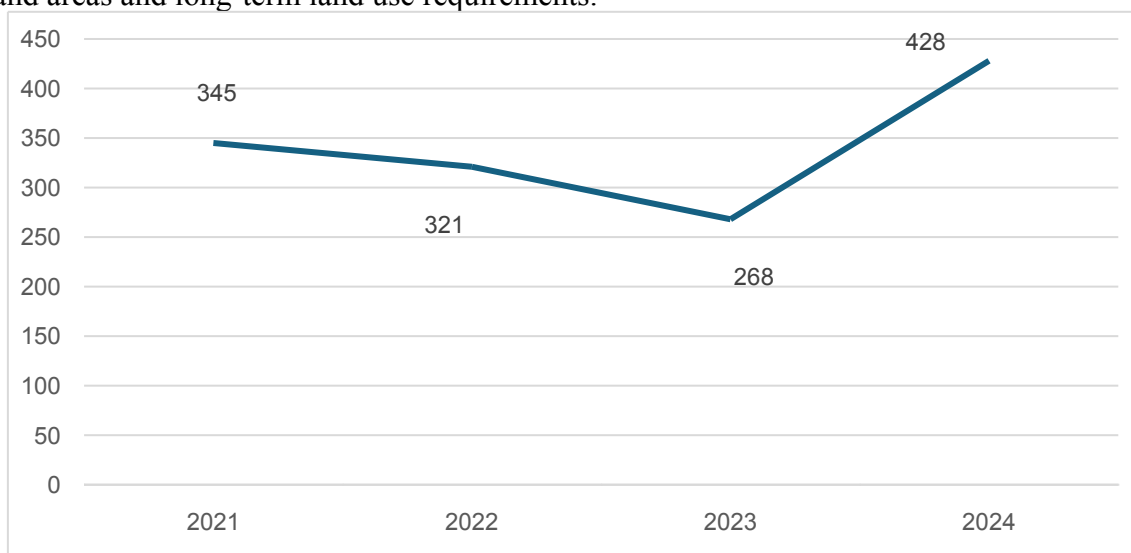
Table 4.1. Gross Regional Product at Current Prices - By Economic Type

Unit: Unit: Bill.Dongs

	2019	2020	2021	2022	2023
State Economy	29.149	30.147	33.485	36.776	38.931
Non-state economy	94.580	104.937	111.406	125.742	139.023
Foreign-invested area	2.379	2.459	4.655	5.614	6.205
Product taxes minus product subsidies	6.863	7.357	8.004	8.417	9.143
Total	132.971	144.900	157.550	176.549	193.302

Source: Nghe An Statistical Yearbook (2023)

According to tax statistics of FDI enterprises in Nghe An province from 2021 to 2024, the implementation of corporate income tax (CIT) policies has created favorable conditions for investment. Specifically, enterprises are granted CIT exemptions for up to four years from the commencement of business operations and a 50% reduction in payable tax for up to nine subsequent years in the case of highly effective investment projects. Preferential tax rates of 10%, 15%, and 20% are applied to projects falling under investment incentive categories. In addition, enterprises benefit from exemptions and reductions in import duties on machinery, equipment, materials, and spare parts for production and business activities, as well as exemptions and reductions in value-added tax (VAT) for certain exported goods and services. Land use tax exemptions and reductions are also provided for investment projects with large-scale land areas and long-term land use requirements.



Unit: billion VND

Chart 4.1. Corporate income tax of FDI enterprises in Nghe An

(Source: Nghe An Tax Department 2021-2024)

4.2. Legal aspect - reflected in the performance of obligations to the state and compliance with legal regulations

Currently, FDI enterprises in Nghe An comply with state policies and legal provisions related to labor relations, wages, social insurance, occupational accident insurance, unemployment insurance, and employee welfare. Enterprises also guide workers in implementing regimes and policies through labor laws, labor contracts, collective agreements, and internal corporate regulations. In addition, they continue to adopt measures and solutions aimed at fostering harmonious, stable, and progressive labor relations.

FDI enterprises in Nghe An fully perform their tax obligations to the state and strictly comply with regulations on investment, construction, environment, and labor laws. They also adhere to reporting requirements by submitting quarterly, semi-annual, and annual reports on investment, production, and business activities according to state regulations. Overall, many FDI enterprises in the province have established strong brands, built significant reputations, operated effectively, adopted environmentally friendly practices, and maintained strict compliance with both international law and the host country's legal framework.

4.3. Ethical aspects - expressed through the use of human resources and the construction of a working environment for FDI enterprises and environmental protection

4.3.1. Using human resources and building a working environment for FDI enterprises

The criteria for assessing CSR implementation for employees include fair wages, non-discrimination, favorable treatment and training policies, and a safe and acceptable working environment. These factors contribute to reducing employee turnover, thereby lowering recruitment and training costs. Consequently, enterprises can reduce production expenses while enhancing labor productivity. Moreover, a skilled and well-treated workforce is a decisive factor in determining both productivity and the quality of products.

Nghe An is among the few provinces in Vietnam that have successfully attracted investment from six of the world's leading technology corporations—Foxconn, Luxshare, Goertek, Everwin, Juteng, and Sunny. These corporations represent globally recognized brands with strong reputations, efficient production and business operations, and a demonstrated commitment to environmental sustainability, while strictly complying with both international regulations and the laws of the host country.

Currently, approximately 68% of the total FDI capital in the province is concentrated in the electronics industry and green energy. The FDI sector plays a crucial role in driving economic growth and restructuring, fostering the development of key industries such as electronics, energy, steel, and automobile components etc.

Moreover, the sector has made significant contributions to the process of industrialization and modernization—not only by generating a substantial volume of products and services, but also by creating employment opportunities and enhancing the quality of local human resources.

At present, 164 FDI enterprises (accounting for 1.05% of all enterprises in the province) directly employ around 49,000 workers, representing 14% of the provincial workforce. In addition, FDI enterprises indirectly generate further employment through spillover effects that stimulate domestic investment, particularly in supporting industries and service providers linked to FDI enterprises.

According to 2025 statistics, enterprises operating in industrial parks in Nghe An are expected to require approximately 45,000 workers. To meet this demand and ensure sufficient labor for production and business expansion, FDI enterprises have introduced a range of preferential policies aimed at attracting and retaining workers.

Luxshare–ICT Nghe An Company, operating in the field of electricity and electronics, currently employs nearly 11,000 workers with average monthly incomes ranging from 7,000,000 to 30,000,000 VND, depending on job position. In addition to the basic salary, the company provides employees with a variety of allowances and bonuses, including: housing allowance of 500,000 VND/person, gasoline allowance of 300,000 VND/person, diligence bonus of 300,000 VND/person, seniority bonus ranging from 200,000 to 500,000 VND/person, and meal allowance of 676,000 to 1,170,000 VND/person. Notably, the company also offers free dormitory accommodation with full amenities for workers in need, along with other benefits by current regulations.

Everwin Precision Technology Co., Ltd., Nghe An, a factory specializing in the production of electronic components, communication equipment, and consumer electronics products, is currently recruiting more than 4,800 workers in the fields of electricity and electronics, with a monthly income ranging from 8 to 10 million VND per person. In addition to the basic salary, the company provides employees with lunch allowances, housing rental support, travel subsidies, diligence bonuses, and other benefits by regulation. Furthermore, the factory offers free, fully equipped dormitory accommodation to employees in need.

Sangwoo Company, a wholly Korean-invested enterprise, in addition to complying with statutory salary regulations and agreements with employees, also implements various preferential policies for its workers. The average income of employees at Sangwoo Company ranges from 7 to 15 million VND per person per month, depending on the job position^{4.3.2}.

Environmental protection

Environmental corporate social responsibility (CSR) is reflected through specific activities such as compliance with environmental laws, adherence to environmental requirements and standards, forecasting potential environmental impacts, and formulating improvement plans and strategies. In practice, however, many FDI enterprises still regard environmental and labor-related CSR as a 'burden' or merely a marketing tool to create a favorable image for themselves. Consequently, a number of enterprises have been involved in incidents related to agricultural and food products that failed to meet hygiene and safety standards, while also causing negative environmental impacts.

The attraction of foreign direct investment (FDI) in Nghe An has been assessed as having made significant innovations and achieved positive results across five key aspects. These include: (i) a sharp increase in the number of FDI projects; (ii) registered investment capital exceeding the set targets; (iii) a structural shift in investment attraction towards both the number of projects and the scale of registered FDI capital; (iv) a strong reorientation of investment sectors towards industrial production; and (v) a concentration of investment attraction primarily in the Southeast Economic Zone and industrial parks.

Investment attraction activities in Nghe An province have been implemented effectively, with a focus not on pursuing investment at all costs but on careful project screening. Projects deemed to pose high risks of environmental pollution are firmly rejected. At the same time, environmental protection measures at factories and industrial parks have received special attention from both the Southeast Economic Zone Authority and the provincial government.

When FDI enterprises implement environmental protection measures, they not only fulfill their legal responsibilities under CSR and comply with government regulations, but also avoid potential costs related to compensation and remediation. At the same time, such practices help preserve and enhance the corporate image, thereby fostering trust, goodwill, and credibility with stakeholders.

5. Solutions to improve the implementation of social responsibility of FDI enterprises in Nghe An

To promote more comprehensive CSR implementation in FDI enterprises, the foremost priority is to transform perceptions of CSR, particularly among senior managers. Enterprises should develop systematic plans to train and disseminate CSR knowledge to both employees and management teams through specialized courses. Importantly, each training program should be followed by evaluations to assess its effectiveness in enhancing human resource capacity. In addition, businesses need to be encouraged to actively engage in environmental protection by implementing awareness campaigns and institutionalizing these programs as annual activities. By raising awareness of the strategic benefits of CSR, enterprises can proactively develop and execute CSR initiatives, perceiving CSR not as a financial burden or a mere legal obligation, but as a core strategic activity that supports long-term sustainability and competitiveness.

For FDI enterprises, it is essential to rapidly integrate corporate social responsibility (CSR) into their sustainable development strategies, regarding it as a 'driving force' for growth and a means of enhancing competitiveness within the global value chain. Enterprises must recognize that effective CSR implementation not only ensures their sustainable development but also contributes significantly to the broader sustainability of society and the host country. In particular, many sustainability criteria across global supply chains increasingly require managers and business specialists to possess a deep understanding of and active engagement in the company's Environmental, Social, and Governance (ESG) initiatives. This alignment between CSR and ESG practices will enable FDI enterprises to meet international standards, strengthen their market position, and build long-term trust with stakeholders.

To ensure the enforcement of laws and the effectiveness of the legal framework, it is essential to establish sufficiently strong measures and sanctions to address violations by enterprises in CSR implementation, particularly in matters concerning consumer health, safety, and environmental protection. Furthermore, authorities should actively and regularly conduct evaluations, inspections, and necessary amendments to legal provisions that no longer align with current realities. Priority areas include labor-related regulations, administrative procedures, tax collection, and tax incentives. Such measures are crucial not only to enhance legal compliance but also to minimize fraudulent practices, including transfer pricing, which are frequently observed among FDI enterprises.

At the same time, it is necessary to promulgate policies that encourage and support FDI enterprises in strengthening CSR implementation. This should be accompanied by the development of CSR training programs in collaboration with relevant stakeholders, such as business associations, in order to raise awareness among managers, trade union officials, and workers regarding CSR. In addition, it is important to intensify communication efforts on CSR, focusing on content, approaches, methods, and the dissemination of successful practices and experiences to create motivation and provide practical models for replication.

State agencies need to regularly monitor the implementation of CSR commitments by enterprises. This requires the deployment of dissemination and awareness-raising activities, the establishment of dedicated advisory and guidance units, and the maintenance of mechanisms for promptly receiving and addressing practical challenges. At the same time, regulations should be amended and adjusted when necessary, based on preliminary and final assessments of CSR implementation outcomes. Such assessments not only help evaluate the impact of CSR practices but also provide important lessons for timely policy improvement and more effective enforcement.

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